

## Message Text

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12

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 COME-00 INT-05 TRSE-00 CIAE-00

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FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 5974

C O N F I D E N T I A L SANTO DOMINGO 553

E.O. 11652: GDS

TAGS: EMIN, EFIN, EINV, EIND, DR

SUBJECT: GOLD: ROSARIO IN DIFFICULT NEGOTIATIONS WITH GODR

REF: (A) SANTO DOMINGO A-11, (B) SANTO DOMINGO 52,  
(C) 75 SANTO DOMINGO A-137

1. LAST WEEK THE PRESIDENT OF ROSARIO GOD MINING'S PARENT COMPANY IN THE US, ROBERT REININGER, WAS IN SANTO DOMINGO TO NEGOTIATE WITH MEMBERS OF THE GODR COMMISSION ON THE TERMS FOR ENLARGING ROSARIO'S GOLD MINING CONCESSION. MEMBERS OF THE COMMISSION WERE QUOTED IN THE LOCAL PRESS AS SAYING THE MEETING TOOK PLACE AT THE PRESIDENTIAL PALACE IN ORDER TO SIGNIFY THE IMPORTANCE WHICH THE GODR ATTACHED TO THE MATTER.

2. AFTER THE INITIAL MEETING REININGER SPENT A FULL DAY WITH THE BOARD OF HIS DOMINICAN SUBSIDIARY GOING OVER THE SITUATION AND PREPARING A STATEMENT TO PRESENT TO THE GODR COMMISSION.

3. THE SUBSEQUENT NEGOTIATING SESSION DID NOT RPT NOT GO WELL, AND REININGER RETURNED TO NEW YORK TOWARD THE END OF LAST WEEK. CARLOS SELIMAN, MEMBER OF THE COMMISSION AND ECONOMIC ADVIOSR TO PRESIDENT BALAGUER, REMARKED TO THE AMBASSADOR THAT ROSARIO HAD QUOTE SLAMMED THE DOOR IN OUR FACE UNQUOTE.

4. SUBSEQUENTLY, REININGER DISCUSSED THE SITUATION WITH THE AMBASSADOR, INDICATING ROSARIO'S RELUCTANCE TO AGREE ON TERMS FOR EXPLOITATION OF LOS CACAOS WHICH WOULD GO SIGNIFICANTLY  
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BEYOND THOSE OF THE PUEBLO VIEJO OPERATION. THE AMBASSADOR

CONVEYED, IN TURN, THE FEELING EXPRESSED TO HIM BY SELIMAN THAT THE GOVERNMENT COULD HARDLY AGREE TO THE SAME TERMS FOR THE NEW OPERATION WHEN THE PRICE OF GOLD WAS SO MUCH HIGHER THAN WHEN THE PUEBLO VIEJO CONTRACT WAS NEGOTIATED. WHAT WAS OF GREATEST IMPORTANCE, SELIMAN HAD STRESSED, WAS THE POLITICAL NEED FOR THE GOVERNMENT TO OBTAIN A GREATER RETURN FROM EXPLOITATION OF A RESOURCE THAT NOW HAD A MUCH HIGHER VALUE. LATER, REININGER CALLED THE AMBASSADOR TO ADVISE THAT ROSARIO WAS WILLING TO BE MORE FORTHCOMING BY OFFERING THE GODR A FORMULA FOR INCREASING THE SIZE OF PAYMENTS TO THE GODR FOR THE ORE AS THE INTERNATIONAL PRICE OF GOLD WENT UP. THE FORMULA WOULD APPLY TO THE ORE FROM THE NEW CONCESSION OF LOS CACAOS BUT NOT TO THE CURRENT CONCESSION AT PUEBLO VIEJO. AT THE SAME TIME THE EXISTING CAPACITY OF THE PROCESSING AND REFINING PLANT AT PUEBLO VIEJO WOULD BE ENLARGED BY 50 PERCENT TO HANDLE THE ORE FROM LOS CACAOS.

5. CENTRAL BANK GOVERNOR DIOGENES FERNANDEZ ASSUMES THE CENTRAL BANK, WHICH IS 20 PERCENT PARTNER IN THE PUEBLO VIEJO CONCESSION, WOULD ALSO BECOME UNDER ROSARIO'S FORMULA A 20 PERCENT PARTNER IN LOS CACAOS. PART OF ROSARIO'S PROBLEM (AND THE CENTRAL BANK'S) IS THAT MEMBERS OF THE GODR COMMISSION ARE ALL ENEMIES OF FERNANDEZ. SELIMAN HAS INFORMED THE AMBASSADOR IN CONFIDENCE THAT THE COMMISSION, HEADED BY SECRETARY OF INDUSTRY AND COMMERCE GUIDO D'ALESSANDRO, HAS BEEN SUPERSEDED BY SELIMAN HIMSELF, WHO IS NOT RPT NOW THE SOLE GODR NEGOTIATOR. HOWEVER, THE FACT REMAINS THAT SELIMAN, FORMER SECRETARY OF FINANCE, IS AS MUCH AN ENEMY OF FERNANDEZ AS THE OTHER MEMBERS.

6. SELIMAN AND THE OTHER COMMISSION MEMBERS DO NOT RPT NOT WISH TO SEE THE CENTRAL BANK GET ANY MORE OUT OF THE ROSARIO CONCESSIONS. SELIMAN AND OTHER COMMISSION MEMBERS HAVE GONE SO FAR AS TO STATE TO THE AMBASSADOR AND OTHER EMBOFFS THAT THE GODR RECEIVES NO BENEFIT FROM THE ROSARIO GOLD MINE BECAUSE THE CENTRAL BANK IS NOT RPT NOT A PART OF THE GODR. ACTUALLY, IN ADDITION TO DISTRIBUTING 20 PERCENT NET PROFITS TO THE CENTRAL BANK, ROSARIO PAYS SUBSTANTIAL AMOUNTS TO THE GODR CENTRAL GOVERNMENT IN CORPORATE INCOME AND OTHER TAXES (SEE REFAIR C).

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7. THE GODR IS APPARENTLY STILL FOCUSING ON ROSARIO'S LATEST OFFER, BUT SELIMAN HAS INFORMED THE AMBASSADOR CONFIDENTIALLY THAT PRESIDENT BALAGUER WANTS SOME OTHER GOVERNMENT ENTITY THAN THE CENTRAL BANK TO BE ROSARIO'S PARTNER IN THE LOS CACAOS CONCESSION.

8. COMMENT: THE CENTRAL BANK IS MUCH MORE POWERFUL IN THIS

GOVERNMENT THAN IN MOST, AS INDICATED BY THE FACT THAT THE CENTRAL BANK GOVERNOR RATHER THAN SECRETARY OF FINANCE ALWAYS REPRESENTS THE GODR IN MEETINGS OF THE IFI'S SUCH AS THE IBRD, IMF, AND IDB. MOREOVER, THE CENTRAL BANK IS OPERATIONALLY INVOLVED IN SUCH SUBSTANTIAL PROGRAMS AS THE DEVELOPMENT OF INFRASTRUCTURE FOR TOURISM. BECAUSE OF ITS SIZE AND POWER AND ITS SECRECY WITH FIGURES, IT HAS AROUSED THE ANIMOSITY OF OTHER ELEMENTS OF THE GODR. AT THE SAME TIME, HOWEVER, IT IS A GODR ENTITY WHICH ACTS MORE RESPONSIBLY AND WITH GREATER SOUNDNESS AND CAPACITY THAN MOST OF ITS CRITICS.

9. IF ROSARIO MUST ENTER INTO PARTNERSHIP WITH STILL ANOTHER GODR ENTITY, ITS LIFE IS GOING TO BE MORE COMPLI-CATED THAN EVER. THE COMPANY RECENTLY REMOVED ALL ITS TOP MANAGEMENT IN THE DR AND IS STILL STRUGGLING, NOW VERY SUCCESSFULLY, WITH PUBLIC RELATIONS AND OTHER PROBLEMS.  
HURWITCH

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